

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 35.

## 2. Basis of preparation of financial statements

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity of the Group and its ability to meet its ongoing obligations in light of its financial position as at 30th April, 2005. At the balance sheet date, the Group had consolidated net liabilities of approximately HK\$8,991,000 and consolidated net current liabilities of approximately HK\$20,490,000.

The Group's operating results for the year continue to show a loss of approximately HK\$39,752,000 (2004: HK\$42,821,000) and the Group had net operating cash outflows for the year of approximately HK\$24,879,000 (2004: HK\$5,276,000). During the year, the directors have been taking appropriate measures to control the costs and active steps to expand its market. However, the effect of the marketing efforts was not satisfactory and the turnover of the Group for the year had decreased from HK\$188 million for the year ended 30th April, 2004 to HK\$129 million for the year ended 30th April, 2005. During the year, capital of approximately HK\$15 million was raised through placements of the Company's shares for working capital purposes. In addition to the above, a capital reorganisation and a rights issue were completed in June 2005 and approximately HK\$20 million were raised by the Group for future operating use. The additional capital funding will enable the Group to develop new products and expand new markets and ultimately will bring revenue and generate operating cash flows to the Group. In view of uncertainty of the future profit generating and positive cash flows, the Group is also negotiating with an independent third party to provide additional credit facilities to the Group. Subsequent to the balance sheet date, the Group renewed the existing credit facilities from HK\$20 million to HK\$50 million in the form of a term loan facility from an independent third party for working capital purpose. The term loan facility is unsecured and carries interest at Hong Kong prime rate plus 3% per annum. The directors considered this facility can further provide sufficient cash to finance the Group's working capital requirement and accordingly the financial statements are prepared on a going concern basis.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 3. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRS(s)") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30th April, 2005.

The Group has considered these new HKFRSs and does not expect that the issuance of these HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

## 4. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th April each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 4. Significant accounting policies (continued)

### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and the interest rate applicable.

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is 20 years or less.

### Deferred costs

Costs incurred in obtaining approvals from safety boards for products to be produced and sold commercially, are capitalised and deferred only when the products are expected to be profit generating; the costs are separately identifiable and can be measured reliably; and whose technical feasibility has been demonstrated. Deferred costs are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over a period to reflect the pattern in which the related economic benefits are recognised.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 4. Significant accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the term of the relevant lease
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Moulds	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 4. Significant accounting policies (continued)

### Leased assets

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the terms of the relevant lease.

### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 4. Significant accounting policies (continued)

### **Taxation** (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

### **Retirement benefit costs**

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses as they fall due.

*For the year ended 30th April, 2005*

## Business segments

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Segment information about these businesses is presented below.

	<b>Electrical products</b>		<b>Adaptors and transformers</b>		<b>Other products</b>		<b>Consolidated</b>	
	<b>2005 HK\$'000</b>	2004 HK\$'000	<b>2005 HK\$'000</b>	2004 HK\$'000	<b>2005 HK\$'000</b>	2004 HK\$'000	<b>2005 HK\$'000</b>	2004 HK\$'000
Turnover – external	<b>101,550</b>	127,668	<b>22,786</b>	53,231	<b>4,632</b>	7,137	<b>128,968</b>	188,036
Segment result	<b>(1,299)</b>	7,844	<b>(1,897)</b>	299	<b>(9,846)</b>	(23,092)	<b>(13,042)</b>	(14,949)
Unallocated corporate income							<b>178</b>	1,115
Unallocated corporate expenses							<b>(27,530)</b>	(27,797)
Loss from operations							<b>(40,394)</b>	(41,631)
Finance costs							<b>(1,358)</b>	(1,190)
Gain on disposal of an associate							<b>2,000</b>	–
Net loss for the year							<b>(39,752)</b>	(42,821)
<b>ASSETS</b>								
Segment assets	<b>24,850</b>	45,675	<b>8,503</b>	22,727	<b>6,764</b>	12,511	<b>40,117</b>	80,913
Unallocated corporate assets							<b>10,821</b>	13,574
Consolidated total assets							<b>50,938</b>	94,487
<b>LIABILITIES</b>								
Segment liabilities	<b>24,542</b>	39,882	<b>7,235</b>	15,306	<b>1,467</b>	1,790	<b>33,244</b>	56,978
Unallocated corporate liabilities							<b>26,685</b>	21,360
Consolidated total liabilities							<b>59,929</b>	78,338





# Notes to the Financial Statements

For the year ended 30th April, 2005

## 5. Business and geographical segments (continued)

### Geographical segments

The Group's customers are principally located in Japan, North America, the People's Republic of China (the "PRC") and Europe. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	2005 HK\$'000	2004 HK\$'000
Japan	92,947	123,307
North America	18,150	29,980
PRC, including Hong Kong	13,468	22,251
Europe	2,726	10,118
Others	1,677	2,380
	<b>128,968</b>	188,036

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and deferred costs, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and deferred costs	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
PRC, excluding Hong Kong	30,637	63,070	1,838	958
Hong Kong	20,301	31,417	440	587
	<b>50,938</b>	94,487	<b>2,278</b>	1,545

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 6. Investment (loss) gain

	2005 HK\$'000	2004 HK\$'000
(Loss) gain on disposal of other investments	(226)	732
Unrealised holding loss on other investments	-	(124)
	(226)	608

## 7. Loss from operations

	2005 HK\$'000	2004 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– salaries and allowances	21,573	30,647
– retirement benefits scheme contributions	439	485
Total staff costs	22,012	31,132
Allowance for bad and doubtful debts	1,491	842
Allowance for inventories	1,534	5,489
Amortisation of deferred costs (included in cost of sales)	2,427	2,883
Auditors' remuneration	725	687
Depreciation and amortisation of property, plant and equipment	6,708	10,766
Impairment loss recognised in respect of deferred costs	408	350
Loss on disposal of property, plant and equipment	1,396	657
Revaluation decrease arising on revaluation of an investment property	158	200
and after crediting:		
Interest income	38	59

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 8. Directors' and employees' emoluments

Particulars of the emoluments of directors and the five highest paid individuals are as follows:

### (a) Directors' emoluments

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Fees:		
Executive	–	–
Independent non-executive	<b>311</b>	240
	<b>311</b>	240
Other emoluments:		
Executive		
– salaries and other benefits	<b>2,010</b>	2,304
– retirement benefits scheme contributions	<b>36</b>	42
	<b>2,046</b>	2,346
Independent non-executive:		
– retirement benefits scheme contributions	<b>16</b>	12
Total directors' emoluments	<b>2,373</b>	2,598

The aggregate emoluments of each of the directors during both years were below HK\$1,000,000.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 8. Directors' and employees' emoluments (continued)

### (b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2004: two directors), details of whose emoluments are set out in note 8(a) above.

The emoluments of the remaining three individuals (2004: three individuals) are as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Salaries and other benefits	<b>1,199</b>	1,856
Retirement benefits scheme contributions	<b>36</b>	36
	<b>1,235</b>	1,892

The aggregate emoluments of each of the individuals during both years were below HK\$1,000,000.

During the years ended 30th April, 2005 and 2004, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group nor as compensation for loss of office. In addition, during the year ended 30th April, 2005 and 2004, no directors waived any emoluments.

## 9. Finance costs

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	<b>1,311</b>	1,095
– obligations under finance leases	<b>47</b>	95
	<b>1,358</b>	1,190

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 10. Income tax

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company's Hong Kong subsidiaries have no assessable profit for both years.

No provision for PRC enterprise income tax has been made as the PRC subsidiary incurred a tax loss for both years.

Details of the deferred taxation for the year are set out in note 24.

The income tax for the year can be reconciled to the net loss for the year per consolidated income statement as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Net loss for the year	<b>(39,752)</b>	(42,821)
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	<b>(6,957)</b>	(7,494)
Tax effect of expenses not deductible for tax purpose	<b>1,615</b>	2,573
Tax effect of income not taxable for tax purpose	<b>(352)</b>	(2)
Tax effect of deferred tax assets not recognised	<b>5,604</b>	5,278
Effect of different tax rates of the subsidiary operating in other jurisdiction	<b>90</b>	(355)
Income tax for the year	<b>-</b>	-

## 11. Loss per share

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$39,752,000 (2004: HK\$42,821,000) and on the weighted average number of 189,186,433 (2004: 149,064,111) shares in issue throughout the year.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 30th April, 2005 and 2004 has been retrospectively adjusted for the effect of the share consolidation completed subsequent to the balance sheet. Details of the share consolidation are set out in note 34.

No diluted loss per share is presented as the exercise of the Company's outstanding share options for the years ended 30th April, 2005 and 2004 would result in a decrease in loss per share.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 12. Investment property

### THE GROUP

HK\$'000

#### VALUATION

At 1st May, 2004	800
Revaluation decrease	(158)

#### At 30th April, 2005

**642**

The Group's investment property was revalued at 30th April, 2005 by an independent firm of professional valuers, Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, on an open market value basis. This valuation resulted in a revaluation decrease of HK\$158,000 which has been charged to the consolidated income statement.

The Group's investment property is vacant and is held under a medium-term lease in the PRC.

## 13. Property, plant and equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st May, 2004	17,687	67,422	16,598	9,995	2,307	114,009
Additions	–	1,337	49	432	404	2,222
Disposals	(2,059)	–	(569)	–	(160)	(2,788)
<b>At 30th April, 2005</b>	<b>15,628</b>	<b>68,759</b>	<b>16,078</b>	<b>10,427</b>	<b>2,551</b>	<b>113,443</b>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st May, 2004	9,420	63,761	13,594	9,216	1,514	97,505
Provided for the year	1,774	2,062	1,570	949	353	6,708
Eliminated on disposals	(986)	–	(196)	–	(107)	(1,289)
<b>At 30th April, 2005</b>	<b>10,208</b>	<b>65,823</b>	<b>14,968</b>	<b>10,165</b>	<b>1,760</b>	<b>102,924</b>
<b>NET BOOK VALUES</b>						
<b>At 30th April, 2005</b>	<b>5,420</b>	<b>2,936</b>	<b>1,110</b>	<b>262</b>	<b>791</b>	<b>10,519</b>
At 30th April, 2004	8,267	3,661	3,004	779	793	16,504

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 13. Property, plant and equipment (continued)

The net book values of the Group's property, plant and equipment held under finance leases are as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Plant and machinery	<b>734</b>	1,038
Motor vehicles	<b>350</b>	607
	<b>1,084</b>	1,645

## 14. Deferred costs

**THE GROUP**  
HK\$'000

### **COST**

At 1st May, 2004	11,737
Additions	56

**At 30th April, 2005** **11,793**

### **AMORTISATION AND IMPAIRMENT**

At 1st May, 2004	8,150
Provided for the year	2,427
Impairment loss recognised	408

**At 30th April, 2005** **10,985**

### **NET BOOK VALUES**

**At 30th April, 2005** **808**

At 30th April, 2004 3,587

The deferred costs are amortised on a straight line basis over a period of two to five years.

The directors have reviewed the carrying value of deferred costs at 30th April, 2005 and an impairment loss of approximately HK\$408,000 (2004: HK\$350,000) has been identified. Production of certain products was ceased subsequent to the balance sheet date and the carrying amount of deferred costs specifically related to those products was fully impaired.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 15. Interests in subsidiaries

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	106,167	106,167
Amounts due from subsidiaries	204,351	196,360
	310,518	302,527
Less: Impairment losses recognised	(310,518)	(287,761)
	-	14,766

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current assets.

At the balance sheet date, the directors of the Company considered that in the light of the recurring operating losses of these subsidiaries and unfavourable market conditions, the recoverable amount of its subsidiaries has been reduced to the estimated net realisable value of the identifiable net assets.

Particulars of the Company's principal subsidiaries at 30th April, 2005 are set out in note 35.

## 16. Interest in an associate

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets of an associate, less impairment losses recognised	-	-

During the year, the Group disposed of its 40% equity interest in an associate, HK Sky Home Limited, a company incorporated in Hong Kong, to an independent third party with a gain on disposal of HK\$2,000,000.



# Notes to the Financial Statements

For the year ended 30th April, 2005

## 17. Unlisted investments in securities

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Unlisted investments, at cost	39,902	39,902
Loan to an investee	2,000	2,000
	41,902	41,902
Less: Impairment losses recognised	(41,902)	(41,902)
	-	-

The loan to an investee of the Group is unsecured, interest free and has no fixed repayment terms. The amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current assets.

## 18. Inventories

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	12,277	26,784
Work in progress	4,443	7,420
Finished goods	2,843	3,452
	19,563	37,656

Included above are raw materials of approximately HK\$1,295,000 (2004: HK\$2,583,000) which are carried at net realisable value.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 19. Trade receivables

The Group allows an average credit period of 0 days to 60 days to its trade customers.

The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 – 90 days	2,584	20,277
91 – 180 days	878	214
Over 180 days	5,123	1,874
	<b>8,585</b>	22,365

## 20. Other investments

### THE GROUP

The amount at 30th April, 2004 represented equity securities listed in Hong Kong which were stated at their market values.

## 21. Trade payables

The aged analysis of trade payables prepared on the basis of supplier invoice date is stated as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 – 90 days	9,878	28,589
91 – 180 days	1,117	3,420
Over 180 days	3,879	5,836
	<b>14,874</b>	37,845

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 22. Obligations under finance leases

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	397	281	345	277
In the second to fifth year inclusive	497	–	470	–
	894	281	815	277
Less: Future finance charges	(79)	(4)		
Present value of lease obligations	815	277		
Less: Amount due for settlement within one year shown under current liabilities			(345)	(277)
Amount due for settlement after one year			470	–

The Group leases certain of its plant and machinery and motor vehicles under finance leases. The average lease term is three years. For the year ended 30th April, 2005, the average effective borrowing rate was 3% (2004: 4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis in Hong Kong dollars and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 23. Bank and other borrowings

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank and other borrowings comprise:		
Bank loans	<b>2,683</b>	13,298
Bank overdraft	<b>187</b>	1,394
Other borrowings	<b>23,000</b>	4,000
Trust receipt loans	<b>-</b>	2,391
Total	<b>25,870</b>	21,083
Analysed as:		
Secured	<b>2,683</b>	3,031
Unsecured	<b>23,187</b>	18,052
	<b>25,870</b>	21,083

During the year, the Group obtained a loan facility from an independent third party with an amount of HK\$20 million. The loan bears interest at 10% to 12% and repayable within one year. Upon presentation of the sales order obtained from the customers by the Group, the Group is able to draw down a maximum of 70% of sales amounts stated in the sales order. In April 2005, the facility was extended to 31st August, 2006.

Subsequent to the balance sheet date, the Group obtained an additional loan facility of HK\$30 million and the total available facility up to the date of report is HK\$50 million, of which HK\$23 million has been drawn down by the Group up to the date of this report. Upon presentation of the sales projects or sales orders to the lender, the Group is able to draw down the available facility.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 24. Deferred taxation

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Deferred costs</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
<b>THE GROUP</b>				
Balance at 1st May, 2003	4,151	1,028	(5,179)	–
Effect of change in tax rate charge to income statement	389	96	(485)	–
(Credit) charge to income statement for the year	(1,477)	(496)	1,973	–
Balance at 30th April, 2004	3,063	628	(3,691)	–
(Credit) charge to income statement for the year	(1,684)	(487)	2,171	–
<b>Balance at 30th April, 2005</b>	<b>1,379</b>	<b>141</b>	<b>(1,520)</b>	<b>–</b>

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset in accordance with the conditions set out in the Statement of Standard Accounting Practice 12 (Revised) "Income Taxes" issued by the HKICPA.

At 30th April, 2005, the Group has unused tax losses of approximately HK\$83,287,000 (2004: HK\$65,277,000) available for offset against future profits that are subject to Hong Kong Profits Tax. A deferred tax asset amounting to HK\$1,520,000 (2004: HK\$3,691,000) has been recognised in respect such losses of approximately HK\$8,686,000 (2004: HK\$21,091,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses approximately HK\$74,601,000 (2004: HK\$44,186,000) due to the unpredictability of future profit streams.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 25. Share capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Shares of HK\$0.01 each		
At 1st May, 2003 and at 30th April, 2004	5,000,000,000	50,000
Increase during the year (note i)	15,000,000,000	150,000
At 30th April, 2005	20,000,000,000	200,000
Issued and fully paid:		
Shares of HK\$0.01 each		
At 1st May, 2003	2,903,200,000	29,032
Issue of shares on placement in March, 2004	500,000,000	5,000
At 30th April, 2004	3,403,200,000	34,032
Issue of shares in October 2004 (note ii)	550,000,000	5,500
Issue of shares in January 2005 (note iii)	130,640,000	1,306
Issue of shares in March 2005 (note iv)	400,000,000	4,000
<b>At 30th April, 2005</b>	<b>4,483,840,000</b>	<b>44,838</b>

### Notes:

- (i) In January 2005, a special resolution was approved in a special general meeting held by the Company to increase the authorised share capital of the Company from HK\$50,000,000 to HK\$200,000,000 by the creation of an additional 15,000,000,000 shares of HK\$0.01 each.
- (ii) In October 2004, the Company issued 550,000,000 ordinary shares of HK\$0.01 each in the Company to a placing agent at a price of HK\$0.012 per share, representing a discount of approximately 14.28% to the closing price of HK\$0.014 per share as quoted on the Stock Exchange on 11th October, 2004 (date of the share placing agreement). The net proceeds were used as the Group's working capital. These new shares were issued under the general mandate granted to the directors at the annual general meetings of the Company held on 24th September, 2004.

## Notes to the Financial Statements

For the year ended 30th April, 2005

### 25. Share capital (continued)

Notes: (continued)

- (iii) In January 2005, the Company issued 130,640,000 ordinary shares of HK\$0.01 each in the Company to HK Sky Entertainment Holdings Limited ("HK Sky"), a substantial shareholder of the Company, at a price of HK\$0.016 per share, in return of placing of the same number of the Company's ordinary shares owned by HK Sky at a price of HK\$0.016 per share in December 2004. The placing price represented a discount of approximately 15.79% to the closing price of HK\$0.019 per share as quoted on the Stock Exchange on 22nd December, 2004 (date of the share placing agreement). The net proceeds were used as the Group's working capital. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 24th September, 2004.
- (iv) In March 2005, the Company issued 400,000,000 ordinary shares of HK\$0.01 each in the Company to HK Sky, at a price of HK\$0.016 per share, in return of placing of the same number of the Company's ordinary shares owned by HK Sky at a price of HK\$0.016 per share in February 2005. The placing price represented a discount of approximately 15.79% to the closing price of HK\$0.019 per share as quoted on the Stock Exchange on 17th February, 2005 (date of the share placing agreement). The net proceeds were used as the Group's working capital. These new shares were issued under the general mandate granted to the directors at a special general meeting of the Company held on 31st January, 2005.

All new shares issued by the Company during the year ranked *pari passu* with existing shares in all respects.

Details of the share capital movement subsequent to the balance sheet date are set out in note 34.

### 26. Share option scheme

Effective on 11th November, 1998, the Company had adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Old Scheme, the Board of Directors of the Company may grant options to the full-time employees (including executive directors) of the Company or any of its subsidiaries.

The exercise price of the share options is determinable by the directors at their discretion based on the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, or the nominal value of the Company's shares.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 26. Share option scheme (continued)

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Date of grant	Exercise price HK\$	Exercisable period	Outstanding as at 1.5.2003	Lapsed during the year ended 30.4.2004	Outstanding as at 30.4.2004	Lapsed during the year ended 30.4.2005	Outstanding as at 30.4.2005
(a) An executive director:							
24.6.2000	0.090	24.6.2000 to 9.11.2008	12,800,000	-	12,800,000	-	12,800,000
(b) Employees:							
14.2.2000	0.180	14.2.2000 to 9.11.2008	200,000	-	200,000	(100,000)	100,000
29.6.2000	0.090	29.6.2000 to 9.11.2008	100,000	-	100,000	(100,000)	-
3.7.2000	0.090	3.7.2000 to 9.11.2008	1,200,000	-	1,200,000	-	1,200,000
5.7.2000	0.090	5.7.2000 to 9.11.2008	800,000	(220,000)	580,000	(60,000)	520,000
			2,300,000	(220,000)	2,080,000	(260,000)	1,820,000
			15,100,000	(220,000)	14,880,000	(260,000)	14,620,000

Pursuant to the annual general meeting held on 24th September, 2004, a new share option scheme (the "New Scheme") was approved by the Company in place of the Old Scheme. The termination of the Old Scheme did not affect the rights of the holders of the share options granted prior thereto and such options granted continue to remain valid and exercisable in accordance with the Old Scheme.

The purpose of the New Scheme provides incentives or rewards to the participants (including but not limited to employees, directors, suppliers and customers of the Group) for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.



## Notes to the Financial Statements

*For the year ended 30th April, 2005*

### **26. Share option scheme (continued)**

The exercise price of the share option is determinable by the directors at their discretion based on the highest of (i) the closing price of the shares on the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

The New Scheme will remain in force for a period of ten years from the date of its adoption, 24th September, 2004.

No options have been granted under the New Scheme since its adoption.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 27. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1st May, 2003	168,330	477	44,942	(195,343)	18,406
Issue of shares	6,000	–	–	–	6,000
Expenses incurred in connection with the issue of shares	(292)	–	–	–	(292)
Net loss for the year	–	–	–	(43,175)	(43,175)
At 30th April, 2004	174,038	477	44,942	(238,518)	(19,061)
Issue of shares	4,286	–	–	–	4,286
Expenses incurred in connection with the issue of shares	(480)	–	–	–	(480)
Net loss for the year	–	–	–	(29,321)	(29,321)
<b>At 30th April, 2005</b>	<b>177,844</b>	<b>477</b>	<b>44,942</b>	<b>(267,839)</b>	<b>(44,576)</b>

*Note:* The contributed surplus of the Company represents the difference between the fair value of the shares of the subsidiaries acquired under a group reorganisation in 1998 and the nominal value of the Company's shares issued in exchange.

## 28. Major non-cash transaction

During the year, the Group entered into finance leases in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK\$1,165,000 (2004: Nil).

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 29. Retirement benefits schemes

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The Group contributes at the lower of HK\$1,000 or 5% of relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to income statement of approximately HK\$439,000 (2004: HK\$485,000) represent contributions payable to the above schemes by the Group in respect of the current accounting period. As at 30th April, 2005, contributions of approximately HK\$115,000 (2004: HK\$124,000) due in respect of the reporting period had not been paid over the schemes.

## 30. Contingent liabilities

As at 30th April, 2005, the Company provided guarantees amounting to approximately HK\$2,877,000 (2004: HK\$19,524,000) to banks in respect of the banking facilities and finance lease arrangements granted to subsidiaries.

## 31. Pledge of assets

At the balance sheet date, certain assets of the Group with the following net book values were pledged to certain banks in order to secure general banking facilities granted to the Group:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank deposits	420	3,031
Bills receivable	2,683	–
	<b>3,103</b>	3,031

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 32. Capital commitments

At 30th April, 2004, the Group was committed to a capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements of HK\$652,000 (2005: Nil).

The Company had no capital commitments at the balance sheet date for both years.

## 33. Operating leases

The Group made minimum lease payments of approximately HK\$8,287,000 (2004: HK\$9,965,000) under operating leases during the year in respect of land and buildings.

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, which fall due as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	<b>7,430</b>	8,438	<b>2,695</b>	1,469
In the second to fifth year inclusive	<b>2,475</b>	5,562	<b>1,797</b>	–
	<b>9,905</b>	14,000	<b>4,492</b>	1,469

Operating lease payments represent rentals payable by the Group for certain of its offices, factory premises, warehouse and staff quarters. Leases are negotiated for an average term ranging from one to ten years with fixed rentals.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 34. Post balance sheet events

Subsequent to the balance sheet date, the Group had the following significant events:

- (1) Pursuant to an announcement dated 1st April, 2005 (the "Announcement") and resolutions passed on 17th May, 2005, a capital reorganisation (the "Capital Reorganisation") was passed and effective on 17th May, 2005, which involve:
  - (a) Capital Reduction
    - (i) the issued capital of the Company was reduced by HK\$0.0095 per issued share by cancelling an equivalent amount of paid-up capital per issued share so that the nominal value of each issued share was reduced from HK\$0.01 to HK\$0.0005. Accordingly, based upon 4,483,840,000 shares in issue as at the date of the Announcement, the issued share capital of the Company of HK\$44,838,400 would be reduced by HK\$42,596,480 to HK\$2,241,920; and
    - (ii) the entire amount standing to the credit of the share premium account of the Company will be cancelled and will be transferred to the contributed surplus account of the Company.
  - (b) every unissued share of HK\$0.01 was subdivided into 20 unissued shares of HK\$0.0005 each.
  - (c) every 20 issued and unissued shares of HK\$0.0005 each in the Capital of the Company were consolidated into one new ordinary share of HK\$0.01 each in the share capital of the Company.

The credit transferred to the contributed surplus account of the Company mentioned above was used to set off against the accumulated losses of the Company.

- (2) Pursuant to an announcement dated 13th June, 2005, the Company had completed the fund raising by way of a rights issue, in the proportion of one share for every consolidated share (after completion of the Capital Reorganisation) held and 224,192,000 shares were issued at HK\$0.10 per share. Fine Asset Limited, a company wholly and beneficially owned by Mr. Lo Kit Sing, Steven, the elder brother of Mr. Lo Wai Shing, Felix, a director of the Company, became a substantial shareholder of the Company upon completion of the rights issue. The net proceeds of approximately HK\$20 million were used for acquisition of property, plant and equipment, repayment of loans and general working capital.

# Notes to the Financial Statements

For the year ended 30th April, 2005

## 35. Principal subsidiaries

Particulars of the Company's principal subsidiaries at 30th April, 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid up share capital	Proportion of nominal value of issued share capital held by the Group		Principal activities
			Directly	Indirectly	
Bai Mei Qin Electrical (Shenzhen) Limited	PRC (note a)	US\$350,000	–	100%	Manufacture and sale of transformers, adaptors and electrical products
MAE Enterprises Limited	British Virgin Islands ("BVI") (note b)	Ordinary US\$10	100%	–	Investment holding
MAE Investments Limited	BVI (note b)	Ordinary US\$2	100%	–	Investment holding
Mei Ah Electrical & Industry (HK) Limited	Hong Kong (note b)	Ordinary HK\$90 Non-voting deferred HK\$1,000,000 (note c)	–	100%	Manufacture and sale of transformers, adaptors and other electrical products
Mei Ah Electrical Appliance (HK) Limited	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Manufacture and sale of electrical appliance
Mei Ah Management Services Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Provision of management service to group companies
Mei Ah Plastic Moulds Company Limited	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Processing of plastic components and plastic moulds
Mei Ah Sourcing Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Sourcing of raw materials for group companies

## Notes to the Financial Statements

For the year ended 30th April, 2005

### 35. Principal subsidiaries (continued)

Notes:

- a. The company is registered in the form of a wholly-owned foreign investment enterprise.
- b. The companies are registered as private limited companies.
- c. The holders of the deferred shares are entitled to minimum rights as to dividends and return of capital, and are not entitled to share in the Company's profit or to attend or vote at any general meetings of the Company, which rights are vested in the ordinary shares.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the assets and liabilities of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.